

## **Who is Best Qualified?**

### **How to Evaluate and Select the Best Contractors**

Building owners are faced with many challenges when building new facilities. Increasingly, owners are asking what can I do to assure the success of my project? Although there are many factors that affect the outcome of a project, research conducted by the Performance Based Studies Research Group<sup>1</sup> led by Dr. Kashiwage of Arizona State University suggests that the most important factor in project success is selecting the right project team. Particularly, selecting the right contractor or design builder for the project is essential. If these findings are true, then the most important thing owners can do to assure project success is to implement an evaluation and selection process that leads to the award of a contract to the best contractor for the job.

In 1997, the United States Postal Service (USPS) implemented a new contractor evaluation and selection process for its major facilities program. Since using this process, the USPS awarded over 20 major projects, valued at well over 400 million dollars without a protest or a claim. No contractor selected using this process has received a performance evaluation of less than “good”. Most contractors have received “very good” or “excellent” performance evaluations. All projects have been completed within budget and schedule. The quality of construction has been superior. So what is it about this process that generates such positive outcomes? The following list identifies the key elements of the USPS evaluation and selection process:

- Customized to the project
- Based on project specific criteria with minimum requirements
- Not burdensome or unnecessarily complicated
- Progressive multi-steps (prequalification, RFP, oral presentations, negotiations, etc.)
- Consider capabilities, past experience and past performance
- Competitive, limited to most highly qualified (peers)
- Quality based
- Fair
- Timely but with sufficient time for proposal preparation and evaluation
- Opportunities for clarifications, discussions and negotiations
- Qualified and motivated evaluation team

Let us examine each of these elements in detail.

**Customized to the Project.** We establish a project specific evaluation criterion that takes into consideration project needs, complexity, unusual technical requirements, quality, cost and time considerations and other parameters. This criterion is generally developed during the planning stages of the project. In the public sector, this effort is referred to as the acquisition or purchasing plan.

**Specific Criteria and Minimum Requirements.** We establish minimum requirements for the project so that offerors know the minimum threshold for consideration (neither the offeror nor the evaluation team waste time preparing or evaluating a submission when there is no hope for selection). The criteria and minimum requirements include:

- Comparable project experience
- Number of years in business
- Financial requirements (financial statement, bonding capacity, credit, etc.)
- Local or regional experience
- Experience with proposed project delivery system: design-build, CM at risk, cost reimbursable guarantee maximum price, etc.

**Not Burdensome or Unnecessarily Complicated.** We provide a standardized electronic submission, with clear instructions to the offerors, which makes submissions easier to complete and evaluate. Only information needed to evaluate the proposal is requested. The size of the submission is limited, i.e., number of pages and examples, narratives, etc. Less is more!

**Progressive Multi-Step Process.** If the objective of the process is to identify the most highly qualified team member that can deliver the best value to the owner in an effective and efficient manner, then the evaluation process must be designed to go from many to a few to one. A process that narrows down the field in a progressive manner is welcome by both the offerors and the evaluation team. Submitting proposals is a time consuming and expensive effort. Offerors that do not meet the minimum requirements or are not the most highly qualified should be identified early in the process and eliminated from consideration. These offerors are spared the effort and expense of going through a process where they have little or no chance for success. The USPS process for identifying, evaluating and selecting contractors involves the following steps:

- Sourcing – identify offerors in a given market
- Prequalification – Solicit offerors to complete and submit a Qualification Statement
- Evaluate the Qualification Statements and Prequalify firms
- Issue Request for Proposal (RFP) to prequalified firms only (i.e., 3 to 7 firms)
- Evaluate proposals. Identify firms offering best value. Arrange for oral presentation, if appropriate. Enter into negotiations.
- Select firm offering the best value

**Consider Capabilities, Past Experience and Past Performance.** Research conducted by the Institute for Supply Management and the Corporate Board show that a successful evaluation and selection process takes into consideration the offerors capabilities, past experience and past performance. It is essential to identify the project needs (size, complexity, cost and time requirements, etc.) during the planning process to define the offeror's capabilities and past experience requirements for the project. The following is a list of factors to be considered when evaluating capabilities, past experience and past performance.

- Capability
  - Personnel
  - Resources (equipment, offices, etc.)
  - Financial position
  - Accounting, procurement systems
  - Insurance/bonding capacity
  - Backlog
- Past Experience
  - Must have done projects of similar size and complexity
  - Must have access to specialize technical expertise required by the project (environmental, historic preservation, working in a foreign country, etc.)
  - Experience must be recent (3 to 5 years)

(We are looking for the “right” experience. We are looking for comparable experience. The experience must be recent; otherwise you may find later that the individuals responsible for past successes are no longer around.)

- **Past Performance**

Measurable performance, quality, cost and timely delivery of the project  
Project controls: schedule, project growth, safety  
Communications, partnering, dispute resolution  
Most important customer satisfaction  
Check references with owner, users and other building professionals whenever possible  
Reference information must be confidential

(Research shows that past performance is the best indicator of future performance. Firms that perform well in the past will most likely perform well in the future. Reference checks are time consuming but essential to the verifications of past performance.)

**Competitive, Limited to the Most Highly Qualified (peers).** The USPS evaluation and selection process is competitive. The process is designed to identify the most highly qualified companies. Meeting the minimum requirements is not enough! Contractors welcome competing with their peers. The good process should lead to a selected few. Narrowing the field should lead to an “apples-to-apples” competition.

**Quality Based.** The evaluation and selection process should never be based on cost factors alone. The owner and other members of the evaluation team should consider the quality of the technical portion of the proposal, (i.e. staffing, management plan, project controls and other factors) in reaching a best value determination. The weighted value of costs factors vs. technical factors in a selection process should be relative to the scope definition of the project, (i.e. costs factors should be more important on a fixed price contract where the scope is fully developed than on a design build cost reimbursable contract with a partial scope).

**Fair.** The evaluation and selection process is subjective...but it must be fair! The offerors must be given access to all pertinent project information. They must be given sufficient time to prepare their qualification statement and proposals. The offerors must be informed of the basis for selection and be evaluated on the same factors and criteria, preferably by the same evaluation team. The evaluation and selection process should be documented for debriefing purposes. The owner should debrief unsuccessful offerors to explain the strength and weaknesses of the proposal and the basis for selection.

**Timely.** Not only must the offerors be given a reasonable time to prepare and submit their qualification statement and proposals but also the evaluation and selection must take place close to the start of the project. If the evaluation and selection takes place well in advance of the start of the project, you may be at risk of losing key personnel to other projects and project costs may be affected due to escalation of prices.

**Opportunities for Clarification, Discussions and Negotiations.** A successful evaluation and selection process must optimize communications between the offerors, the owner and his representatives in the evaluation team. Clarification, discussions and negotiations should be encouraged. In addition to well defined documents, pre-proposal conferences and oral presentations are excellent tools to further explain the project.

**Qualified and Motivated Evaluation Team.** The evaluation team must have the expertise and experience needed to evaluate the proposals. Generally, the evaluation team should be composed

of building professionals. The evaluation team should have a vested interest in the outcome of the project. Members of the evaluation team should sign a “confidentiality/conflict of interest” statement before the evaluation begins. The evaluation team should be limited to 3 to 5 individuals. However, the evaluation team may have consultants (lawyers, accountants, etc.) to help with the evaluation if necessary. Each team member should evaluate the Qualification Statement or Proposal independently and then discuss their findings with the rest of the team. The composition, expertise and commitment of the evaluation team are essential to selecting the most highly qualified offeror. You can do everything else right but if you have a lousy evaluation team you are likely to have a bad outcome.

### **Summary and Conclusions**

Research and experience show that the selection of the right project team, particularly the construction contractor or design builder, is the most critical factor in determining project success. The most important thing an owner can do to assure the selection of the right contractor is to have an evaluation and selection process that is:

- Customized to the project
- Based on project specific criteria with minimum requirements
- Not burdensome or unnecessarily complicated
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